

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6734

BILL NUMBER: SB 248

NOTE PREPARED: Jan 29, 2008

BILL AMENDED: Jan 28, 2008

SUBJECT: Scholarship Granting Organization Tax Credit.

FIRST AUTHOR: Sen. Drozda

FIRST SPONSOR: Rep. Porter

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a state tax credit to a taxpayer that makes a contribution to a scholarship granting organization for use by the scholarship granting organization in a scholarship program to provide scholarships to eligible students. It defines "eligible student" as an individual who: (1) has legal settlement in Indiana; (2) is between five and 22 years of age; (3) either has been or is currently enrolled in a participating school; (4) is enrolling in kindergarten or was previously enrolled in a public school; and (5) either: (A) has an annual household income of not more than 300% of the federal income poverty level; or (B) received a scholarship as an eligible student in the immediately preceding school year.

The bill also sets forth a process for the Department of State Revenue to certify a scholarship program administered by a scholarship granting organization.

Effective Date: Upon passage.

Explanation of State Expenditures: *Department of State Revenue (DOR)* - The DOR could potentially incur additional administrative cost to implement the bill's provisions. However, the precise fiscal impact of this provision is indeterminable.

The funds and resources that may be required for the DOR to implement the administration and certification of a scholarship program could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and

administrative actions. The state vacant position report for January 17, 2008, indicates the DOR had 112 vacant full-time positions.

Background- The bill requires the DOR to publish the following information on their website:

- (1) The tax credit application.
- (2) A time line for receiving the tax credit.
- (3) The total amount of credits awarded during the calendar year.
- (4) A current list of school scholarship programs including names and contact information.

Explanation of State Revenues: (Revised) Summary- The bill makes the tax credit unavailable until there is a specific appropriation from the General Assembly to implement the credit. Until that time, this bill's provisions would have no fiscal impact on state revenues. Should an appropriation be made in the future, the bill would reduce state Adjusted Gross Income (AGI) Tax, Financial Institutions Tax (FIT), or Insurance Premiums Tax (IPT) liabilities of tax payers that make a contribution to a scholarship granting organization to be used in a school scholarship program. Ultimately, the fiscal impact will depend on the number of scholarship granting organizations the DOR certifies to administer a school scholarship program and the number of taxpayers making contributions to such programs.

Background - This bill requires a scholarship granting organization, as certified by the DOR, to do the following:

- 1) Provide a receipt to taxpayers for contributions made to the scholarship granting organization for use in a school scholarship program. The receipt must indicate the value of the contribution and portion of the contribution being designated for use in a school scholarship program.
- 2) Distribute 100% of the total amount of contributions as school scholarships to eligible students.
- 3) Distribute 100% of any income earned on contributions as school scholarships to eligible students.
- 4) Conduct criminal background checks on all employees and board members.

The bill establishes a tax credit equal to 75% of the amount of the contribution made to a scholarship granting organization for a school scholarship program with the exceptions of the two cases below.

- 1) In the case of a taxpayer, other than a corporation, the amount that is allowed to be claimed as a credit is not to exceed \$100 for a single return or \$200 for a joint return; and
- 2) In the case of a corporate taxpayer, the amount that is allowed to be claimed as a credit shall not exceed the lesser of 10% of the corporation's Adjusted Gross Income tax or \$1,000.

Scholarships may be given to individuals ages 5 to 22, to be used for their educational costs, and who have a household income of not more than 300% of the federal poverty level.

2007 Federal Poverty Level Guidelines (Family Income per Year)	
Family Size	300% FPL
2	\$41,070
3	\$51,510
4	\$61,950
Each Additional Person	\$10,440

According to the U.S. Census Bureau, the total number of children that could potentially receive a scholarship was about 810,000 in 2006. (Note: This number should be used as a point of reference only.) Similarly, the number of individuals residing in Indiana ages 5 to 22 is expected to remain stagnant, decreasing only slightly in coming years.

The bill does not provide for the tax credit to be refundable or for taxpayers to carry forward or carry back excess credits. If the taxpayer is a pass through entity and does not have a tax liability, the credit could be taken by shareholders, partners, or members of the pass through entity in proportion to their distributive income from the pass through entity, or as otherwise agreed to by shareholders, partners, or members of the pass through entity.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: The Department of State Revenue.

Local Agencies Affected:

Information Sources: U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplement, 2002-2006*.

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